

The complaint

Mr W complains that Lloyds Bank PLC wrongly registered a default against his name.

What happened

Mr W had a Lloyds credit card in his name. In April 2018 Lloyds wrote to Mr W to say that he had arrears of over £300 on his credit card account and that he needed to clear them.

Mr W made a payment to clear the arrears within the time given by the bank, but Lloyds, in error, registered a default and closed Mr W's credit card account.

Lloyds noticed its error some years later and, in August 2023, it removed the default, apologised to Mr W and offered him £100 by way of compensation. Mr W did not think that £100 was enough to put things right and he referred the matter to this service.

One of our investigators considered what had happened. Initially, she thought that the bank's payment of £100 was a fair outcome. She noted that Lloyds's records indicated that, whilst Mr W had paid the arrears in 2018, the balance of the account – over £4,000 – had not been paid; Lloyds had written it off.

Mr W disputed this. He said that he had in fact repaid the debt in full in 2021. Lloyds accepted that was the case and increased its offer to £300. The investigator thought that was enough to resolve matters.

Mr W didn't accept the investigator's view and asked that an ombudsman review the case.

What I've decided – and why

I've considered all the available evidence and arguments to decide what's fair and reasonable in the circumstances of this complaint.

The bank has accepted that it made a mistake and that it should not have registered a default. It accepts too that Mr W did clear his credit card account in 2021. It has offered a total of £300 to put things right.

Mr W says this is not enough. He says that his personal life has suffered and that he has not been able to grow his business as he had planned, as a result of the bank's mistake.

I am not persuaded however that the bank's actions did have the consequences which Mr W says they did. As well as a credit card, Mr W had a current account with Lloyds. His statements show that this was overdrawn and in December 2018 it was closed and sent to the bank's recoveries department. A number of direct debit payments – including loan payments to other providers – had been returned unpaid. It appears therefore that Mr W's finances were under some strain in any event. The bank's error with his credit card account did not, in my view, make things any worse overall – although it should not have made the error at all.

Putting things right

I agree that Mr W should receive something to recognise the inconvenience he has been put to and the distress he has suffered because of Lloyds' mistake. I agree with the investigator however that a payment of £300 in total is fair in the circumstances. My understanding is that the bank has already paid £100.

My final decision

For these reasons, my final decision is that, to resolve Mr W's complaint in full, Lloyds Bank PLC should pay him a total of £300. To the extent it has already paid any compensation, it should deduct that from any further payment it makes – assuming Mr W accepts my decision.

Under the rules of the Financial Ombudsman Service, I'm required to ask Mr W to accept or reject my decision before 14 October 2024.

Mike Ingram
Ombudsman